

Change is Good

In the last article I submitted to the *Sugar Journal*, I discussed the benefits associated with the vertical integration of the Florida sugar industry. Sugarcane producers now have direct access and ownership of refineries that put refined sugar directly on the shelves of grocery stores and distribute products nationwide to sugar-using manufacturers. Vertical integration is key to the long-term viability of Florida sugar producers. This industry-wide change will definitely generate long-term cash flows to producers once they are firmly established in the refining business.

Events outside our immediate region also affect our business climate. In addition to the direct challenges of dealing with the impact of hurricane Katrina on the Domino's Chalmette sugar refinery, the question of levee safety has surfaced nationwide. Images and perceptions of emergency response failures following this disastrous event (which impacted southern Louisiana, Mississippi, Alabama and Florida) are ironically linked to the 2007 water shortage in south Florida. Disastrous levee collapses in the New Orleans area following Katrina were a catalyst for water managers to conclude (or declare) that the levee surrounding Lake Okeechobee was compromised, and according to one report, "is in grave and imminent danger of failure." Anticipating an "active" 2006 hurricane season, water managers triggered historically anomalous water releases from Lake Okeechobee: water forever lost to the Atlantic Ocean and Gulf of Mexico. Thereafter, rain failed to materialize, and Lake Okeechobee water levels have dropped to historic low levels. Meanwhile, the characterization of the Everglades Agricultural Area (EAA) as a source of "polluted water" has discouraged state water managers from "back-pumping" excess rainfall from sugarcane farms back into Lake Okeechobee, thus the main water supply to south Florida continues to dry up.

The 2004-2006 windfall in Florida tax revenue, fueled by soaring property values, translated into budgetary increases for all 67 county administrations. This revenue was used to expand social services and increase infrastructural improvements. The increase in property values, coupled with phenomenal increases in property insurance premiums caused by back-to-back hurricanes in 2004-05 has exacerbated the cost of real estate ownership in the state. This trend has made home ownership unaffordable, leading to a record number of foreclosures and a downturn in the housing market for both new and existing real estate. Now governmental agencies are grappling with how to cut costs in response to the reduction in ad valorem revenues.

Increased costs and belt tightening have also impacted agricultural producers. This is especially true in the fuel and fertilizer sectors driving down farm-gate margins to the point where many farmers are economically forced to consider converting their farm lands to urban development. The rapid

and significant increase in land values have been an important motivator for the Florida farmer to sell out especially in areas near developing urban and suburban development where there is an increasing demand for affordable housing.

The Florida sugarcane farmer has not escaped the economic realities (brutalities?) described above. The rising costs of production inputs have encouraged some growers to make alternative management arrangements for producing cane on their farmlands. Several sugarcane growers have opted to joint-venture their crop production with local milling interests in an effort to minimize their risk while providing steady cash flows to their farming operations. The current irrigation water deficit has put crop production at risk for the second time in a decade. On-going drought conditions in south Florida and failure to "recharge" Lake Okeechobee will surely persist into next year and projections indicate that we may be farming under water restrictions for the next few years. Compounding the problem is the increasing water demands by the expanding population growth along the coastal regions of the state.

Sugar production levels have not resumed to the peak production seen at the turn of the century. Florida had sustained production levels at or near 2 million tons of sugar (Short tons raw value – STRV) per annum. In my opinion, the initial decline in production was tied to planting cuts-backs brought on by an over-reaction to the imposition of marketing allotments. Subsequently, sugarcane production declines occurred due to back-to-back hurricane seasons in 2004-05 that damaged cane for seed and shortened the planting season. Resulting shortages in harvested cane tonnage ultimately resulted in the closing of yet another sugar mill in Florida. The four Florida mills that remain in operation certainly have the capacity to produce a 2 million ton crop (STRV), but the nation-wide marketing allocation system will likely cap production at 1.85 million tons.

The marketing allocation system was designed to provide (and should have provided) stable support for domestic sugar prices, but questionable USDA management of the sugar program over the past few years has resulted in near forfeiture raw sugar prices. High domestic prices in both the domestic and off-shore sugar markets were realized for a short period of time immediately following the hurricanes, but quickly evaporated following un-timely decisions by the Commodity Credit Corporation (CCC). Changes in the 2007 Farm Bill might help, but only if the USDA leadership fully understands how to implement the no-cost provisions in the sugar title of the Farm Bill and only if USDA publicizes that the sugar program can be implemented at no-cost to the government while keeping sugar producers healthy financially.

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agricultural products is a bright light on the horizon. After all, sugar is the most efficient feedstock for traditional ethanol production. However, capital costs for new bio-fuel plants and the cost of developing marketing and distribution infrastructure are major roadblocks facing an already declining sugar production climate. Realistically, traditional Florida sugarcane production has reached the limits of the land available for the production of a tropical grass. The lands that are being phased out of Florida production are marginal lands that have not been seriously cropped in sugarcane for many years. Research is now underway to focus on cultivar selections exhibiting tolerance to extreme environmental stresses. Variety selection successes have been realized in

the Louisiana cultivar development program and successful cultivar releases will likely be completed in the Florida cooperative variety development program at Canal Point. The results of these efforts will not only benefit Florida's traditional commercial sugarcane industry, but will also allow expansion of sugarcane production into more northern climes on poorer soils subject to limited irrigation options. Large acreage of reclaimed phosphate mining lands in the central region of Florida are possible sites for expansion.

I titled this article "Change is Good" yet many of the topics I have discussed are not so "good." We have all witnessed challenges in our lives that we weren't very comfortable with when those challenges were presented. Change is inevitable for sure, and change

can be difficult. Given the inevitability of change, it really is up to the farmer to decide whether to capitalize on the new opportunities that come with change, or to just throw in the towel and invite developers to plant houses. Ultimately, each farmer must remain diligent while continuing to be good stewards of the land. As growers, we must participate in the political process and continue to remind government leaders that our best national defense, one that protects our country, is through producing a safe, affordable and abundant food supply for our nation.

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El sistema de asignación de cuotas de mercado fue diseñado para proveer (y debería haber provisto) un apoyo estable a los precios domésticos del azúcar, pero en los últimos años, un manejo cuestionable del programa por parte del USDA, ha resultado en casi una confiscación de los precios del crudo. Los altos precios del azúcar tanto en los mercados domésticos como en el exterior se hicieron efectivos para una corto período de tiempo inmediatamente después de los huracanes, pero no resultó así debido a decisiones tomadas a destiempo por la Commodity Credit Corporation (CCC). Ciertos cambios en el Proyecto de Ley Agrícola de 2007 pudieran ayudar, pero solo si el liderazgo del USDA da a la publicidad que el programa del azúcar puede ser implementado sin costo alguno para el gobierno, manteniendo a su vez la salud financiera de los cañeros.

El rápido aumento del interés, a nivel nacional, en producir energía a partir de productos agrícolas es una luz brillante en el horizonte. Después de todo, el azúcar es la materia prima más eficiente para la producción tradicional de etanol. Sin embargo, la inversión

para construir nuevas plantas de bio-combustibles y el costo de desarrollar un mercado y la infraestructura de distribución, son importantes limitantes en un panorama de producción de azúcar que está declinando. En realidad, la producción tradicional de caña de azúcar de Florida ha alcanzado los límites de la tierra disponible para la siembra de una gramínea tropical. Las tierras que están siendo retiradas de la producción en Florida son áreas marginales que no han sido utilizadas para caña de azúcar en muchos años. La investigación que se lleva a cabo actualmente está enfocada hacia la selección de cultivares que exhiban tolerancia a estreses ambientales extremos. En el programa de desarrollo de cultivares de Louisiana ya se han seleccionado variedades promisorias y probablemente se espera liberar dichos cultivares al programa cooperativo de desarrollo de variedades de Florida en Canal Point. Los resultados de estos esfuerzos no solamente beneficiarán a la tradicional industria comercial de caña de azúcar de Florida, sino también permitirá la expansión de la producción de caña hacia climas más nórdicos, en suelos más pobres sujetos a limitaciones de riego. Grandes

extensiones rehabilitadas de tierras de extracción de fosfato en la región central de Florida, son sitios posibles para dicha expansión.

He titulado este artículo "El Cambio es Bueno" aunque muchos de los tópicos que he discutido no son tan "buenos". Todos hemos sido testigos de cambios en nuestras vidas con los cuáles no estábamos muy de acuerdo cuando se presentaron. Ciertamente el cambio es inevitable y puede ser difícil. Dado que el cambio es inevitable, realmente le toca al cañero decidir si saca provecho de la nuevas oportunidades que acompañan un cambio, o solamente darse por vencido e invitar a los urbanizadores a que siembren casas. En última instancia, cada cañero debe continuar trabajando duro y seguir siendo un buen administrador de la tierra. Como productores, debemos participar en el proceso político y seguir recordando a los líderes gubernamentales que nuestra mejor defensa nacional, una que protege nuestro país, es contar con un suministro seguro, rentable y abundante de alimentos para nuestra nación.

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